

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**STONE ENERGY CORPORATION
AI # 26830, 27854, 32189, 32292, & 32351**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

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* **Enforcement Tracking No.**
* **AE-PP-04-0064**
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SETTLEMENT

The following Settlement is hereby agreed to between Stone Energy Corporation (“Respondent”) and the Department of Environmental Quality (“DEQ” or “the Department”), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. (“the Act”).

I

Respondent is a corporation who owns and/or operates the following facilities: Lafitte Commingling Facility No. 1 Tank Battery No. 5 (Agency Interest No. 26830), a tank battery facility that operates under Title V Air Permit No. 1340-00160-VI issued on March 9, 1999, located in the inland waters of Barataria Bay, 15 miles south of Lafitte in Jefferson Parish, Louisiana ; Bayou Defleur Field (Agency Interest No. 27854), located approximately 4 miles northeast of Lafitte in Jefferson Parish, Louisiana that operated under Title V Air Permit No. 1340-00165-VO issued on March 9, 1999 and is currently operating under Air Permit No. 1340-00165-02 issued on July 22, 2003; Lafitte Compressor Station (Agency Interest No. 32189) located approximately 6 miles southwest of Lafitte in Jefferson Parish, Louisiana that operates

under Title V Air Permit No. 1340-00147-V2 issued on February 1, 2001; Clovelly Field Central Field (Agency Interest No. 32292) located approximately 4 miles northeast of Galliano in Lafourche Parish, Louisiana and operating under Title V Air Permit No. 1560-00045-V1 issued on April 30, 1999; and Clovelly No. 2 Tank Battery (Agency Interest No. 32351) located approximately 2 miles northeast of Cutoff in Lafourche Parish, Louisiana operating under Title V Air Permit No. 1560-00141-V1 issued on July 6, 1998.

II

On or about February 17, 2004, a file review of the Lafitte Commingling Facility No. 1 Tank Battery No. 5 was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violation was noted during the course of the file review:

The Department received the Respondent's semiannual monitoring reports for the periods encompassing January through June 2002 and January through June 2003 postmarked January 12, 2004, and December 4, 2003, respectively. The Respondent failed to submit the semiannual monitoring reports to the Department no later than September 30, 2002, for the period encompassing January through June 2002 and no later than September 30, 2003, for the period encompassing January through June 2003. Each failure to submit is a violation of Part 70 General Condition K of Title V Air Permit No. 1340-00160-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

On or about February 17, 2004, a file review of the Bayou Defleur Field was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violations were noted during the course of the file review:

- A. The Department received the Respondent's annual compliance certification for the period encompassing January through December 2002 postmarked March 28, 2003. According to information submitted in the annual compliance certification, the Respondent failed to permit a water storage tank (Emission Point 16-03-WST-CV), twelve gas operated pumps (Emission Points 18-03-GOP through 29-03-GOP), and gas

operated pneumatic controllers (Emission Point 30-03-PC) prior to the operation of each emission source. The Respondent's failure to obtain a permit prior to the operation of each emission source is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act. These emission points have since been permitted under Air Permit No. 1340-00165-02 issued on July 22, 2003.

- B. The Department received the Respondent's semiannual monitoring report for the period encompassing January through June 2003 postmarked December 4, 2003. The Respondent failed to submit the semiannual monitoring report to the Department no later than September 30, 2003, for the period encompassing January through June 2003. The failure to submit is a violation of Part 70 General Condition K of Title V Air Permit No. 1340-00165-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

On or about February 17, 2004, a file review of the Lafitte Compressor Station was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violation was noted during the course of the file review:

The Department received the Respondent's semiannual monitoring report for the period encompassing January through June 2003 postmarked December 4, 2003. The Respondent failed to submit the semiannual monitoring report to the Department no later than September 30, 2003, for the period encompassing January through June 2003. The failure to submit is a violation of Part 70 General Condition K of Title V Air Permit No. 1340-00147-V2, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

On or about February 17, 2004, a file review of the Clovelly Field Central Field was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violation was noted during the course of the file review:

The Department received the Respondent's semiannual monitoring report for the period encompassing January through June 2003 postmarked December 4, 2003. The Respondent failed to submit the semiannual monitoring report to the Department no later than September 30, 2003, for the period encompassing January through June 2003. The failure to submit is a violation of Part 70 General

Condition K of Title V Air Permit No. 1560-00045-V1, LAC 33:III.501.C.4, and

Section 2057(A)(2) of the Act.

On or about February 17, 2004, a file review of the Clovelly No. 2 Tank Battery was performed to determine the degree of compliance with the Act and Air Quality Regulations.

The following violation was noted during the course of the file review:

The Department received the Respondent's semiannual monitoring report for the period encompassing January through June 2003 postmarked December 4, 2003. The Respondent failed to submit the semiannual monitoring report to the Department no later than September 30, 2003, for the period encompassing January through June 2003. The failure to submit is a violation of Part 70 General Condition K of Title V Air Permit No. 1560-00141-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

As a result of the file reviews, the Department issued a Notice of Potential Penalty, Enforcement No. AE-PP-04-0064, to the Respondent on March 28, 2004.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of SIX THOUSAND AND NO/100 DOLLARS (\$6,000.00) of which TWO HUNDRED FIFTY-NINE AND 50/100 DOLLARS (\$259.50) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s), the Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Jefferson and LaFourche Parishes. The advertisement, in form, wording, and size approved by the Department, announced the

availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Penalties are to be made payable to the Department of Environmental Quality and mailed to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303.

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

STONE ENERGY CORPORATION

BY: Thomas R. Shinn
(Signature)

Thomas R. Shinn
(Printed or Typed)

Title: Director of HSE Comp.

THUS DONE AND SIGNED in duplicate original before me this 16th day of
December, 2004, at Lafayette, Louisiana.

Nona Schooler
NOTARY PUBLIC (ID # 63703)

NONA SCHOOLER
(Printed or Typed)

STATE OF LOUISIANA
Mike D. McDaniel, Ph.D., Secretary
Department of Environmental Quality

BY: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 21st day of
December, 2004, at Baton Rouge, Louisiana.

Ted R. Drayton, II
NOTARY PUBLIC (ID # 20456)

Ted R. Drayton, II
(Printed or Typed)

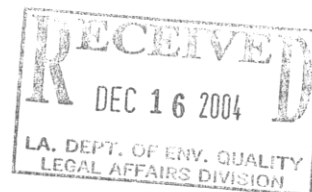
Approved: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

December 13, 2004




Mr. Louis E. Buatt, General Counsel
La. Department of Environmental Quality
Legal Affairs Division
P.O. Box 4302
Baton Rouge, LA 70821-4302

Re: AG Review of DEQ Settlement;
Stone Energy Corporation
AE-PP-04-0064

Dear Mr. Buatt:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,

By: 
CHARLES C. FOTI, JR.
Attorney General

CCF/mlc